

Message Text

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PAGE 01 ZAGREB 00366 271037Z

ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07

CEA-01 L-03 /096 W

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FM AMCONSUL ZAGREB

TO SECSTATE WASHDC 5176

INFO AMEMBASSY BELGRADE

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E.O. 11652: N/A

TAGS: EGEN, YO

SUBJECT: EXIMBANK P/C FOR LOCOMOTIVES FOR ZTP - ZAGREB

REF: (A) STATE 33833, (B) ZAGREB 91

1. CONGEN COMMERCIAL OFFICERS MET WITH DIRECTOR OF ZTP-ZAGREB TO INQUIRE ABOUT PROGRESS OF NEGOTIATIONS FOR PURCHASE OF 30 LOCOMOTIVES. DIRECTOR BROUGHT OUT COPIES OF LETTERS SENT TO GM AND GE ON APRIL 21 REQUESTING FURTHER CONSIDERATION AND IMPROVEMENT OF OFFERS. ZTP CLAIMS THAT GE AND GM BIDS ARE AT LEAST 25 PERCENT HIGHER IN PRICE THAN EUROPEAN COMPETITORS, AND THAT CREDIT CONDITIONS NOT AS FAVORABLE AS EUROPEAN COMPETITORS. COMPETITION AT PRESENT INCLUDES THREE EUROPEAN PRODUCERS--AHLSTROM (FRANCE), A NORWEGIAN PRODUCER, AND AN UNSPECIFIED EAST EUROPEAN PRODUCER. DIRECTOR INDICATED THAT ZTP WOULD BE VERY RELUCTANT TO PURCHASE THE EAST EUROPEAN PRODUCT, SO COMPETITION APPEARS TO BE NARROWED TO FOUR POTENTIAL SUPPLIERS.

2. EXIMBANK MAY BE RECEIVING APPROACHES FROM GE AND GM FOR IMPROVEMENT IN CREDIT CONDITIONS OFFERED IF GE AND GM BELIEVE SOME GIVE IN PRICES OFFERED IS POSSIBLE. ZTP WANTS INCREASE IN EXIMBANK

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PAGE 02 ZAGREB 00366 271037Z

DIRECT LOAN PORTION OF OFFER FROM PRESENT 55 PERCENT. ZTP ALSO STATES THAT EUROPEAN COMPETITION IS ABLE TO OFFER 85 PERCENT AT 7-1/2 PERCENT FIXED RATE FINANCING AND THAT THEY WOULD ACCEPT GUARANTEE OF PRIVREDNA BANK ON THIS TRANSACTION. A PRIMARY CONCERN OF ZTP APPEARS TO BE THAT FINANCING ON NON-DIRECT LOAN PORTION OF GE/GM OFFER WOULD BE TIED TO LIBOR RATES WITH NO CERTAINTY AS TO EVENTUAL COSTS. IF PROGRESS IS MADE ON RESOLUTION

OF SUPERGUARANTEE ISSUE, IT DOES NOT APPEAR THAT ISSUE OF
GUARANTEE PROBLEM WOULD BE OF MAJOR CONCERN IN THIS TRANSACTION.

3. ZTP DIRECTOR INDICATED THAT HE HOPES TO HAVE THIS TRANSACTION
SETTLED BY JUNE 15. HE REMARKED THAT IT IS POSSIBLE NO AGREE-
MENT WILL BE REACHED WITH ANY OF THE SUPPLIERS IN WHICH CASE ZTP
WOULD HAVE TO REVIEW ITS PROCUREMENT PLANS. BIDS FOR THIS PRO-
CUREMENT WERE SOUGHT ONLY FOR DIESEL/ELECTRICAL LOCOMOTIVES. IF
NO AGREEMENT IS REACHED NOW, HOWEVER, ZTP MAY CONSIDER PROCUREMENT
BY "HYDRAULIC-MECHANICAL" LOCOMOTIVES PRODUCED BY GERMAN, DUTCH
AND HUNGARIAN FIRMS. REMARKS MADE ON THIS TOPIC LEAD US TO BELIEVE
THAT PRICE DIFFERENCES AMONG CURRENT COMPETITORS MAY NOT BE AS
GREAT AS ZTP IS CONVEYING TO GE AND GM. THERE IS POSSIBILITY
THAT ALL BIDS ARE CONSIDERABLY MORE THAN ZTP HAD EXPECTED. IN
THIS CASE, CONCESSIONS ON PRICE MAY NOT BE CRUCIAL BUT SOME
IMPROVEMENT IN CREDIT CONDITIONS MAY BE ESSENTIAL IF U.S.
SUPPLIER IS TO OBTAIN THIS ORDER. KAISER

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